



Federal / State Income Tax Institute

**Nebraska Updates
2014**

revenue.nebraska.gov

This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Departmental training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at revenue.nebraska.gov.

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Main Revenue Site

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 - **2014 Legislative Changes**
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Individual Income Tax

General

• Nebraska Standard Deductions

	2014	2013
○ Single taxpayers	\$ 6,200	\$ 6,100
○ Head of household	\$ 9,100	\$ 8,950
○ Married, filing jointly	\$12,400	\$12,200
○ Married, filing separately	\$ 6,200	\$ 6,100
○ Qualifying Widow(er)	\$12,400	\$12,200

• Taxpayers Over Age 65 and/or Blind

- Taxpayers using married, filing jointly; married, filing separately; or qualifying widow(er) filing status, add \$1,200 per box checked.
- Taxpayers using single or head of household filing status, add \$1,550 per box checked.

General

- Personal Exemption Credit
 - 2014 = \$128
- Tax Rate Reduction and Brackets Widened
 - For tax years beginning on or after January 1, 2013, individual income tax rates were reduced. ([LB 970](#))
 - For tax years beginning on or after January 1, 2014, individual income tax brackets have been widened. ([LB 970](#))

Index Individual Income Tax Brackets

Beginning tax year 2015

- The four brackets for each income tax filing status will be adjusted for inflation.
- The adjustment is calculated by a percentage change in the index, with August 31, 2013 as the base year.
- The adjustment will be calculated as of August 31 of each year.

For more information, see [Neb. Rev. Stat. § 77-2715](#).

Individual Income Tax in 2013

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 - 4,800	\$0 - 4,500	\$0 - 2,400	2.46%
2	\$4,800 - 35,000	\$4,500 - 28,000	\$2,400 - 17,500	3.51%
3	\$35,000 - 54,000	\$28,000 - 40,000	\$17,500 - 27,000	5.01%
4	Over \$54,000	Over \$40,000	Over \$27,000	6.84%

Individual Income Tax in 2014

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 – 6,000	\$0 – 5,600	\$0 – 3,000	2.46%
2	\$6,000-36,000	\$5,600 - 28,800	\$3,000 – 18,000	3.51%
3	\$36,000 - 58,000	\$28,800 - 43,000	\$18,000- 29,000	5.01%
4	Over \$58,000	Over \$43,000	Over \$29,000	6.84%

Individual Income Tax in 2015

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 – 6,090	\$0 – 5,690	\$0 – 3,050	2.46%
2	\$6,090 – 36,570	\$5,690 – 29,260	\$3,050 - 18,280	3.51%
3	\$36,570- 58,920	\$29,260 - 43,680	\$18,280 - 29,460	5.01%
4	Over \$58,920	Over \$43,680	Over \$29,460	6.84%

High School District Code Changes

County	Prior Year District	Explanation for Change	Current Year District
Boone	Cedar Rapids 6	Dissolved - merged into a new district	Riverside 75
Boone	Greeley-Wolbach 10	Dissolved - merged into a new district	Central Valley 60
Boone	Spalding 55	Dissolved - merged into a new district	Riverside 75
Cedar	Coleridge 41	Dissolved - merged with an existing district	Laurel Concord Coleridge 54
Cedar	Newcastle 24	Dissolved - merged with an existing district	Hartington Newcastle 8
Dixon	Newcastle 24	Dissolved - merged with an existing district	Hartington Newcastle 8
Greeley	Cedar Rapids 6	Dissolved - merged into a new district	Riverside 75
Greeley	Spalding 55	Dissolved - merged into a new district	Riverside 75
Greeley	Greeley-Wolbach 10	Dissolved - merged into a new district	Riverside 75
Greeley	North Loup Scotia 1	Dissolved - merged into a new district	Central Valley 60
Howard	Greeley-Wolbach 10	Dissolved - merged into a new district	Central Valley 60
Howard	North Loup Scotia 1	Dissolved - merged into a new district	Central Valley 60
Nance	Cedar Rapids 6	Dissolved - merged into a new district	Riverside 75
Nance	Greeley-Wolbach 10	Dissolved - merged into a new district	Central Valley 60
Sherman	North Loup Scotia 1	Dissolved - merged into a new district	Central Valley 60
Valley	North Loup Scotia 1	Dissolved - merged into a new district	Central Valley 60
Wheeler	Spalding 55	Dissolved - merged into a new district	Riverside 75

E-file Mandate

- No Change to the Tax Preparer E-file Mandate for 2014
 - Applies to tax preparers who filed 25 or more Nebraska individual income tax returns during calendar year 2014;
 - All individual income tax returns they are paid to prepare during calendar year 2015 must be e-filed.
 - The penalty is \$100 for each return not e-filed.

See the [Tax Preparer E-file Mandate FAQs](#) on the Department's website.
[Neb. Rev. Stat. § 77-1784](#)

E-file

- Nebraska will begin accepting e-filed returns on the same date as the IRS.
- A tax preparer qualified by the IRS can e-file both federal and state returns using IRS and state-approved software.
- Nebraska returns will be accepted as either linked or unlinked. Linked returns are preferred when possible.

E-file

- Except for fiscal year returns, all tax year 2014 original individual income tax returns may be e-filed using the Fed/State program.
- Nebraska will accept delinquent income tax returns for tax years 2012 and 2013, using Fed/State software.
- Estimated income tax payments for 2015 may be made with your e-filed return by electronic funds withdrawal (EFW), by credit card, or by using the Department's e-pay system.

Alert Messages

- Beginning with tax year 2014, the Department has discontinued the use of alert messages in acceptance acknowledgments.
- Not all software supports e-file of all Nebraska forms, schedules, worksheets, and other supporting documentation.
- If an item cannot be e-filed, include it as a binary attachment (PDF), if supported by your software.

The Department strongly suggests you obtain software that allows binary attachments.

GovDelivery Bulletin



The Department of Revenue has posted information on its website relating to

GovDelivery Bulletin

Tax Year 2014 Tax Preparer Bulletin

Nebraska 1040N MeF Program Changes and Clarifications

October 22, 2014

Issue

Beginning with tax year 2014, the Nebraska Department of Revenue (Department) is discontinuing: 1) the use of alert messages in acceptance acknowledgments; and 2) the use of Form 8453N to fax or mail supporting documentation for e-filed returns.

Action Required

The Department strongly encourages tax preparers to file all supporting documentation electronically. If your software does not support electronically filing this documentation, or you are not able to scan the supporting forms, then:

- Provide a hard copy of all supporting documentation to your client.
- Your client should retain copies of all supporting documentation, and only provide it to the Department if requested by letter.
- The documentation will only be requested when the Department is unable to verify the information using other methods.
- If the Department is unable to verify the information, the Department will mail the taxpayer a letter requesting all documentation necessary to process the tax return.
- Instruct your clients that if they receive this letter, they must attach the letter to the supporting documentation before faxing or mailing.

Background

The Department may request required documentation not submitted with the e-filed return. Common examples of this include:

- Form 1310N, Nebraska Refund for Deceased Taxpayers and supporting documentation;
- Form 2441N, Nebraska Child and Dependent Care Expenses;
- Form 3800N, Nebraska Incentives Credit Computation and Supporting Documentation (worksheets and letters); and
- Form 4797N, Special Capital Gains/Extraordinary Dividend Election and Computation.

For additional information regarding required documentation, please refer to the specific line instructions in the 2014 Nebraska Individual Income Tax Booklet.

It is important to check with your software provider to confirm your software supports all Nebraska income tax forms you will need to meet your clients' needs.

Questions about this issue and Nebraska e-file should be directed to:

michael.behnke@nebraska.gov
402-471-5649

larry.chapman@nebraska.gov
402-471-5619

Binary Attachments (PDF File)

- PDF attachments should be sent with the e-filed return when software does not support e-filing of required forms, schedules, or worksheets.
- Scan and send PDF attachments with the e-filed return.
- Check with your software provider to determine if a PDF attachment option is available.

What If My Software Does Not Support PDF Attachments?

- The Department may request the documentation after the return is received.
- Provide your client with all of the documents that could not be e-filed with the return.
- Ask your client to keep the supporting documents and only mail them to the Department if they receive a written request from the Department.

Documentation

The documentation below may be requested if it is not included in the return.

- Nebraska Child and Dependent Care Expenses, Form 2441N
- Nebraska income tax withholding Forms W-2 and 1099
- Railroad Retirement Board documentation

Note: The Nebraska Individual Income Tax Transmittal for E-Filed Returns, Form 8453N has been eliminated.

Documentation

- Schedule K-1N, Form 1041N
- Schedule K-1N, Form 1065N
- Schedule K-1N, Form 1120-SN
- Nebraska Refund for Deceased Taxpayers, Form 1310N
- Special Capital Gains/Extraordinary Dividend Election and Computation, Form 4797N
- Statement of Nebraska Financial Institution Tax Credit, Form NFC
- NOL worksheet

Form 3800N

- Department staff review all returns claiming Nebraska incentive credits.
 - Form 3800N may be e-filed with your return, if your software supports it, however all supporting documentation must be sent as a PDF attachment, or it will be requested later during processing.
 - Amounts claimed will be appropriately verified.
 - Review and processing can take 6 weeks or more.
 - Form 3800N has been updated to include a line for the New Markets Tax Credit (NMTC).

Electronic Payment Options Available for Individuals

- E-pay
 - Department's online payment program.
 - Provide bank account information, and the Department debits your account on the date you specify.
 - Use e-pay for amounts due with Form 1040N and for individual estimated income tax payments.
 - New this year, e-pay is accepting payments for prior year balances.

Electronic Payment Options Available for Individuals

- Electronic Funds Withdrawal (EFW)
 - Available when filing with many software products
 - Return must be filed using Fed/State software or [NebFile](#)
 - Taxpayer must provide payment details with the e-filed tax return
- Credit Card Payments
 - Official Payments charges a convenience fee
 - Compute this fee on their new calculator
 - officialpayments.com, 800-2PAY-TAX

Individual Income Tax Audits

- Economic Substance
 - Form 4797N – Special Capital Gains Election
 - Tax preparer's responsibilities
- Focus on Nonfilers
 - Professional license holders
 - IRS data matches
- Focus on Nonresidents
 - Schedule K-1N – S corporations
 - Partial-year residents
 - Filing income tax return claiming residency in a state that doesn't have state income tax

Individual Income Tax Audits

- Focus on deductions
 - Schedule A itemized deductions
 - Schedule C self-employed taxpayers
- Alimony payments
- Fraudulent returns

Additional Tips

- Purchase software that supports all Nebraska forms and schedules. If not all are supported, contact the software vendor. Check the Department's website for additional information regarding specific software.
- Once a return has been filed and accepted, the only way to correct it is to file a paper amended return.


For more information on reject messages,
see [E-file Business Rules](#).

Additional Resources

- [Software Developer Handbooks](#)
 - The Department has developed technical instructions for software developers.
- Draft forms are located on the [Software Developers](#) page.
- The Nebraska Handbook for Electronic Filers of Individual Income Tax Returns can be found by clicking on “[Tax Preparers](#)” at revenue.nebraska.gov.

Note: These guides are updated annually.
Be sure to use the 2014 guides.

Use Tax

		Nebraska Individual Income Tax Return for the taxable year January 1, 2014 through December 31, 2014 or other taxable year: , 2014 through _____		FORM 1040N 2014	
Please Type or Print	Your First Name and Initial		Last Name		PLEASE DO NOT WRITE IN THIS SPACE
	If a Joint Return, Spouse's First Name and Initial		Last Name		
	Current Mailing Address (Number and Street or PO Box)				
	City		State	Zip Code	

38 Use tax due on taxable purchases where applicable sales tax was not collected. (see instructions)

Enter purchases subject to state tax **91** \$ _____ State tax **92** \$ _____ (purchases x 5.5%);

Enter purchases subject to local tax **93** \$ _____ Local tax **94** \$ _____ (purchases x local rate of _____%);

95 Local code _____ (see local rate schedule);

Add state and local taxes and enter on line 38. If no use tax is due, enter -0- on line 38.

38

00

- Report individual use tax on line 38 of Form 1040N.
- If the taxpayer has a credit for tax paid to another state, along with use tax, report both the credit and tax on [Form 2](#).
- If the taxpayer needs to report use tax to multiple local jurisdictions, report it on [Form 3](#).

Note: Do not report business use tax on Form 1040N.

Disaster Relief

- The Department will follow [IRS' guidance](#) for income tax purposes, which postpones certain deadlines for taxpayers affected by federally-declared natural disasters.
- See [Revenue Ruling 99-09-2, IRS Disaster Relief](#).
- Affected taxpayers should mark paper income tax returns by identifying the specific disaster designation, such as “Stanton County Storms,” at the top of the return.
- Taxpayers who e-file their returns can use their software’s “disaster” feature, if available.

Individual Income Tax

2014

Legislative Changes

Partial Exclusion of Military Retirement Income

Individuals may make a one-time election to exclude:

- 40% of military retirement income that is included in federal AGI for seven years beginning with the year of election; or
- 15% of military retirement income that is included in federal AGI for all years beginning with the year that the retiree turns 67.
 - The exclusion is only for military retirement benefits, not disability or other payments.
 - The election must be made within two years after retirement.
 - The election must be made on the [Form 1040N-MIL](#), which is available on the Department's website.

Operative beginning with tax year 2015.

Partial Exclusion of Social Security Income

Individuals may exclude any Social Security income included in federal AGI if:

- Federal AGI is \$58,000 or less for a married, filing jointly return; or
- Federal AGI is \$43,000 or less for all other returns.

Operative beginning with tax year 2015.

Income Tax

- Changes to college savings plan ([LB 296](#)) on January 1, 2014
 - Maximum deduction is \$5,000 for married, filing separately filers and \$10,000 for all others
 - Account owners and parents/guardians who are custodians of an UGMA or UTMA NEST Direct account are eligible for the applicable deduction
 - Qualified rollovers from another state are eligible for the applicable deduction
 - If a successor account owner is not named, the beneficiary becomes the account owner upon the death or legal incapacity of the original account owner

Note: [LB 296](#) was 2013 legislation.

Income Tax

- Eliminate alternative minimum tax ([LB 308](#))
 - Alternative minimum tax repealed for taxable years beginning on or after January 1, 2014.
 - The AMT credit has also been eliminated.
 - The tax on premature or lump-sum distributions from qualified retirement plans is retained.

Note: [LB 308](#) was 2013 legislation.

Job Creation and MainStreet Revitalization Act (**LB 191**)

- Any person, as defined, may earn a nonrefundable tax credit equal to 20% of eligible expenditures to rehabilitate historically significant real property.
- This credit will be referred to as the Nebraska Rehabilitation Tax Credit on the Department's forms and other publications.
- For additional information, contact Khanh Tran at khanh.tran@nebraska.gov or 402-471-5677.

Operative January 1, 2015.

Individual Income Tax

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- Disclosure of Department
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- Computation of 2013 Alternative Minimum
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- Computation of 2013 Credit for
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Individual Income Tax

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Information Guides

Individual Income Tax

- Nebraska Income Tax for U.S. Servicemembers, Their Spouses, and Civilians Working with U.S. Forces..... 07/2014

For more information, see the [Information Guides](#) on our website.

Property Tax

Homestead Exemption

The Homestead Exemption is a Property Tax Relief Program

It is available for three categories of homeowners:

- Persons over age 65;
- Qualified disabled individuals; or
- Qualified totally disabled veterans and their widow(er)s.

Homestead Legislative Changes Effective January 1, 2015 (LB 986)

- Exemption for individuals who have a developmental disability
 - Certification from the Department of Health and Human Services is required.
 - Income and home value requirements apply.
- 100% service-connected disabled veterans and their widow(er)s have no income, maximum value, or maximum exemption requirements.

For Assistance

Homestead Exemption Toll-Free Line
888-475-5101

revenue.nebraska.gov/PAD/homestead.html

Business Taxes

E-file and Electronic Payment Mandates

The payment threshold is lowered annually.

- July 1, 2014 \$ 8,000
- July 1, 2015 \$ 7,000
- July 1, 2016 \$ 6,000
- July 1, 2017 and after \$ 5,000

Any businesses with multiple locations that have been granted permission to file “combined” sales tax returns must e-file.

For more detailed information on e-file and electronic payment requirements, see our [website](#).

Electronic Payment Options

Supported tax programs:

- Air carrier
- ATV/UTV sales and use tax
- Car line
- Cigarette purchase orders
- Cigarette tax
- Corporation income tax
- Documentary stamp tax
- Fiduciary estimated
- Fiduciary extensions
- Fiduciary income tax
- Income tax withholding
- Litter fee
- Lodging tax
- Motor fuels taxes
- Motorboat sales tax
- Other tobacco products tax
- Partnership extensions
- Partnership income tax
- Prepaid wireless surcharge
- Sales and use tax
- Severance and conservation tax
- Tire fee
- Use tax
- Waste reduction and recycling fee



Property Assessment



Motor Fuels



Charitable Gaming



Nebraska Lottery



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Electronic Payment Options for State Taxes

[Click Here for a Description of Payment Options](#)

Mandate Information

Nebraska e-pay

State withdraws funds from your bank account, based on the information you provide.

ACH Credit

You work with your bank to deposit funds into the State's bank account.

Tele-pay

Click the Tele-pay button above for instructions on paying taxes by phone.

Credit Card

Use a credit card to make tax payments.

Payment Plan

Work with the Department to pay your balance due.

Income Tax Withholding

- When filing wage and tax statements, any employer or payor who issues more than 50 wage and tax statements must [e-file](#) those statements with the Department.
 - This includes Forms W-2, W-2G, 1099-R, and 1099-MISC.
 - Statements must be filed by February 1.
 - Use the Nebraska W-2 File Creator to assist you with uploading Forms W-2 electronically. See the [instructions on our website](#).

Income Tax Withholding

- Forms W-2 and 1099 must be prepared including the Nebraska ID number in the appropriate box on the form.
- The 2013 Circular EN will continue to be used for 2015.

Business Taxes

2014

Legislative Changes

Market-based Apportionment for Multi-state Businesses

- For taxable years beginning on and after January 1, 2014, sales of intangibles are sourced to the location where the buyer uses the intangible.
- Communications companies will continue to source income to the location where the income-producing activity is performed.
- Currently, sales of intangibles and services are sourced to the location where the income-producing activity was performed (costs of performance apportionment).

[LB 872](#), Operative Date January 1, 2014.

Net Operating Loss Carryforward

- 20-year net operating loss carryforward
 - Net operating losses incurred in tax years beginning on and after January 1, 2014, may be carried forward to each of the 20 taxable years following the year of loss
 - Previously, the carryforward period was five taxable years
 - Capital loss carryforward remains five taxable years
 - No carrybacks are allowed

Sales and Use Tax

- New Sales Tax Exemptions
 - Gold, silver, platinum, or palladium bullion (04/01/14)
 - Metal or paper used as currency (04/01/14)
 - Separately-stated charges for U.S. postage on direct mail (04/01/14)
 - Liberalized qualifications for C-BED projects (07/18/14)
 - Agricultural repair and replacement parts (10/01/14)
 - Energy used to compress natural gas used as a fuel for motor vehicles (01/01/15)

For more detailed information, see [2014 Nebraska Legislative Changes](#) on our website.

Sales and Use Tax

- ATV/UTV – The county treasurer will collect sales tax from purchasers of ATVs and UTVs, as defined, at the time the vehicle is titled (rather than at the point of sale).

Note – The county treasurer will collect local sales tax based on where the purchaser takes possession (not the place of titling).

2014 Changes in Local Sales Tax

- **Effective January 1, 2014**
 - Seward started a new local sales and use tax of 1.5%
 - Dakota County terminated its county sales tax
- **Effective October 1, 2014**
 - Fairfield started a new local sales and use tax of 1%
 - Hickman started a new local sales and use tax of 1.5%
 - Atkinson increased its local sales and use tax rate to 1.5%
 - LaVista increased its local sales and use tax rate to 2%
- **Effective January 1, 2015**
 - Battle Creek starts a new local sales and use tax of 1.5%
 - David City will increase its local sales and use tax rate to 2%

Job Creation and MainStreet Revitalization Act (**LB 191**)

- Any person, as defined, may earn a nonrefundable tax credit equal to 20% of eligible expenditures to rehabilitate historically significant real property.
- This credit will be referred to as the Nebraska Rehabilitation Tax Credit on the Department's forms and other publications.
- For additional information, contact Khanh Tran at khanh.tran@nebraska.gov or 402-471-5677.

Operative January 1, 2015.

Business Taxes

Additional Information

Municipal Review of Sales Tax Information

- A municipality may designate an individual to inspect confidential sales and use tax return information.
- The designation must be signed by the mayor or city manager of the municipal government.
- A similar process applies to the revocation of the individual's certification.

For more information, see [Neb. Rev. Stat. § 77-2711](#).

Business Taxes

2014

Revenue Rulings

Fiduciary Income Tax

- Computation of 2013 Alternative Minimum Tax to Determine Nebraska Minimum Tax for the 2013 Nebraska Return.....02/11/14
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Business Taxes

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For more information, see the [Information Guides](#) on our website.



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